

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 SSO-00 L-03 INRE-00 USIE-00

NSCE-00 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04

EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

H-01 PA-01 PRS-01 /083 W

-----064248 232113Z /75

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 5956

C O N F I D E N T I A L KINGSTON 3357

PASS TO AID/LA FOR DONOR LION

E.O. 11652: GDS

TAGS: EFIN, EAID, JM

SUBJECT: DISCUSSIONS WITH IMF REPRESENTATIVES IN JAMAICA

REFERENCZ: KINGSTON 3326

1. USAID OFFICIALS AND EMBASSY POLITICAL OFFICER MET WITH IMF REPRESENTATIVES SANSON, ALBERTELLI AND WILLIAMS ON JUNE 22 (NOTE: SANSON IS LEADER OF IMF OFFICIAL MISSION WHICH HAS BEEN IN CONVERSATIONS WITH GOJ FOR APPROXIMATELY ONE WEEK).

2. WHILE IMF AND GOJ HAVE NOT YET REACHED AGREEMENT WHICH WOULD FACILITATE IMF FINANCING DURING THIRD AND FOURTH CY QUARTERS, SANSON INDICATED THAT TALKS WERE PROGRESSING. CURRENT CONVERSATIONS APPEAR TO INCLUDE A GOJ REVIEW OF ITS CURRENTLY APPROVED FY 77-78 BUDGET (THE IMF HAS CONSISTENTLY OPPOSED HEAVY BANK OF JAMAICA FINANCING OF FISCAL DEFICIT), A REVIEW OF THE DUAL EXCHANGE RATE AND THE OVERALL IMPACT WHICH IT HAS HAD TO DATE ON THE BALANCE OF TRADE, AND VARIOUS MEANS OF JAMAICA'S MEETING AN ANTICIPATED FOREIGN
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EXCHANGE SHORTFALL TALLING BETWEEN \$60 AND \$70 MILLION IN THE THIRD QUARTER AND \$100 MILLION IN THE FOURTH QUARTER. THE HIGHER FOURTH QUARTER FIGURE OVER THAT PREVIOUSLY REPORTED IS INDICATIVE OF A HIGHER LEVEL OF IMPORTS NOW ANTICIPATED (REFTEL 3326). THIS DOES NOT APPEAR TO COINCIDE WITH ORIGINAL IMF CONCERNS OVER MAGNITUDE OF THE IMPORT BILL, BUT MAY SUGGEST THAT THE

GOJ HAS BEEN EFFECTIVE IN CONVINCING IMF OF THE ADVERSE
EMPLOYMENT EFFECTS LOWERED IMPORTS WOULD HAVE.

3. THE IMF CONCERN AT PRESENT CENTERS ON THIRD
QUARTER FINANCING. SHOULD AN IMF AGREEMENT BE REACHED
IN THE NEAR FUTURE, \$23 MILLION OF THIRD TRANCHE FINANCING
COULD BE MADE AVAILABLE NEAR THE END OF THE QUARTER, BUT
THERE APPEARS TO BE SOME DOUBT AS TO WHETHER SUFFICIENT
SUPPLIERS' CREDITS, DEBT REFINANCING AND BILATERAL ASSISTANCE
(OR ANY COMBINATION OF THESE) COULD BE MARSHALLED IN THE
SHORT TIME BETWEEN ANY IMF AGREEMENT AND THE END OF THE
QUARTER. ONE POSSIBILITY IS A \$50 MILLION LOAN FROM
TRINIDAD AND TABAGO, CURRENTLY BEING DISCUSSED, BUT THE
IMPRESSION RECEIVED WAS THAT THIS, TOO, WAS PROBABLY
CONTINGENT UPON AN IMF AGREEMENT. SANSON RECONFIRMED
GOJ WAS COMMITTED TO MEETING ITS GOVERNMENT CONTRACTED
AND GUARANTEED DEBT. HOWEVER SANSON INDICATED FUND WOULD
BE PREPARED TO USE ITS GOOD OFFICES TO ASSIST IN THE
RESCHEDULING OF COMMERCIAL DEBT PROVIDE BOTH PARTIES
REQUEST SUCH ASSISTANCE AND THERE IS AN IMF/GOJ
AGREEMENT. IN DISCUSSING GOJ FOREIGN EXCHANGE PROSPECTS
OVER NEXT FEW WEEKS, FUND WAS APPARENTLY NOT AWARE THAT
GOJ HAD NEGOTIATED A JUNE PAYMENT OF THE NEXT INSTALLMENT
OF BAUXITE LEVY US\$ 49 MILLION. IN FUND'S CALCULATION
THIS ADVANCE WAS NOT EXPECTED BEFORE JULY 15TH. SANSON INDICATED
THAT IMF AGREEMENT COULD CREATE ENVIRONMENT THAT WOULD
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PERMIT RENEWED GOJ COMMERCIAL BORROWING TO HELP MEET FOREIGN
EXCHANGE SHORTFALL PARTICULARLY IN FOURTH QUARTER.

4. JAMAICA GROSS RESERVE POSITION, PER KINGSTON 3271, IS
CURRENTLY ESTIMATED AT \$25 MILLION, OF WHICH \$14 MILLION
CAN BE CONSIDERED LIQUID.

5. IMF ASKED OF POSSIBLE USG ASSISTANCE IN THIRD AND FOURTH
QUARTERS. AID RESPONDED BY DESCRIBING A NUMBER OF POSSIBLE
TYPES OF ASSISTANCE BEING DISCUSSED, BUT STATED THAT NO FINAL
DECISION HAD BEEN REACHED.
DORRANCE

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